



# SATISFYING THE CHANGING CONSUMER:

## *The Winning Restaurant Formula*

PREPARED FOR RESTAURANT LEADERSHIP CONFERENCE ATTENDEES

2009  
RESTAURANT  
LEADERSHIP



### 1 Introduction: The Changing Consumer Mindset

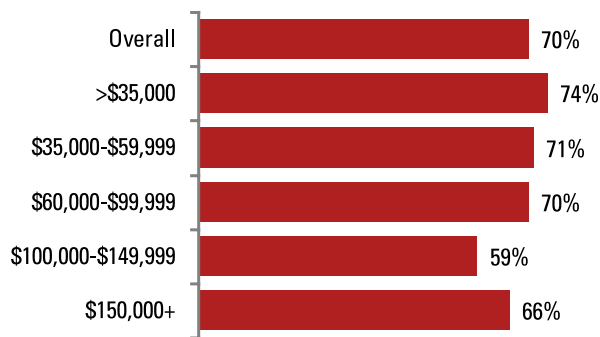
#### *The Current Environment*

Rarely has the foodservice industry faced an operating environment this challenging. Today, almost every facet of consumers' economic lives is surrounded by uncertainty, rising expenses, and subdued income streams.

- The unemployment situation worsens weekly, and near-term projections don't paint a rosy picture.
- Declining values in the housing and investment markets have negatively impacted the disposable income many individuals historically used to fund activities such as restaurant meals.
- 401K reductions have caused many individuals, particularly those close to or at retirement age, to seriously ponder how they will meet required living expenses. In many cases, the undesirable solution has been to postpone retirement in the near term.

The cumulative effect of these conditions has psychologically not played demographic favorites. A 2009 Technomic survey of 2,123 consumers revealed that, regardless of household income, current conditions are serving as a sobering experience. Across all income groups, 70% of consumers reported that the economy has had an impact on them.

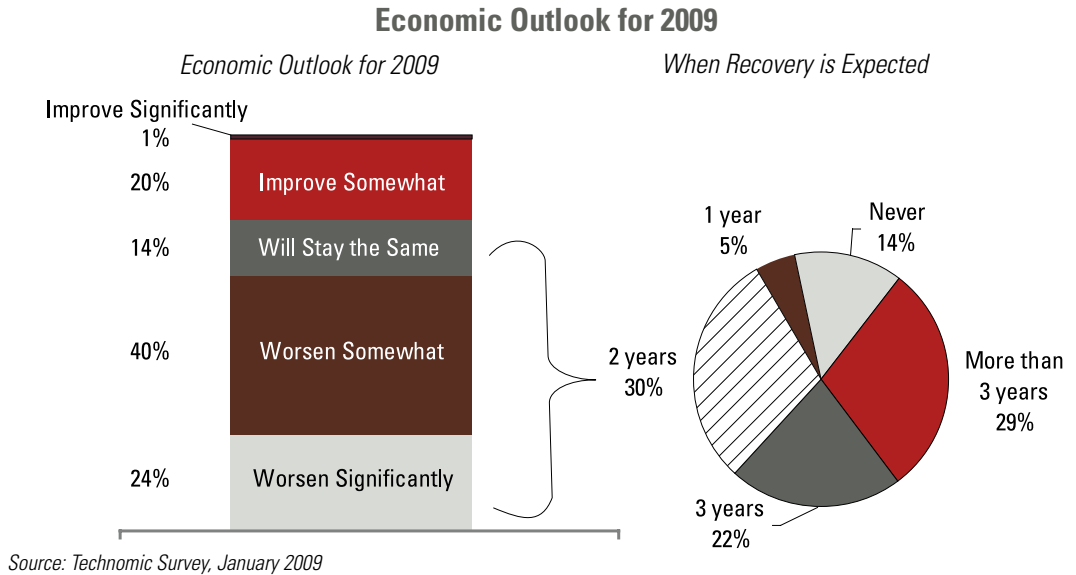
#### % Agreeing Economy Has an Impact



Source: Technomic Survey, January 2009

*Looking Forward*

Unfortunately, consumers don't think conditions are going to improve at any time in the near future. When the same survey asked consumers about the prospects for the coming year, only 21% anticipated any sort of improvement. The majority predict that the economy will deteriorate further. In fact, 65% expect that economic recovery will take at least three years, while 14% said they believe things will never go back to where they were.

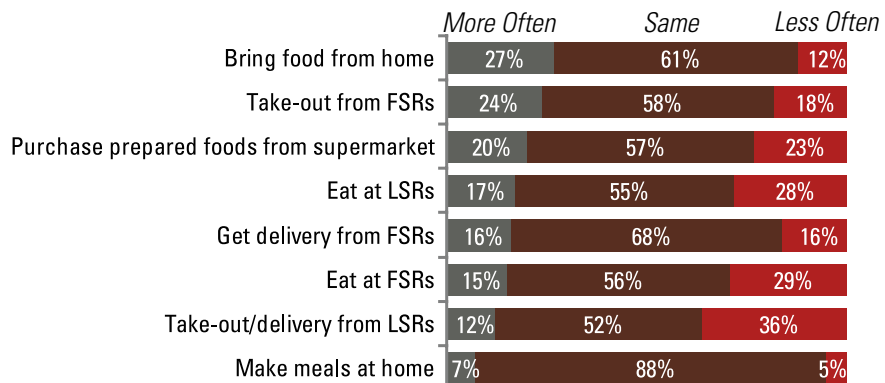


It's not surprising that consumer confidence has been on a steady decline since July 2007, and has dipped to new all-time low readings in recent months. The result: Fundamental changes are now occurring in how consumers think and behave.

*A Mindset of "Consideration"*

In many cases, consumers have translated their own personal experiences and perceptions into an internal mindset of "consideration." Consumers are carefully deciding how they will spend their remaining dollars, and "meals purchased away from home" is one of the categories vying for attention. The same Technomic survey revealed that during 2009 consumers expect to source less "Dine-In" meals from both Limited Service and Full Service restaurants. At the same time, "Bringing Food From Home" was expected to increase in frequency. While this is positive news for retail food establishments, it can be sobering and somewhat frightening for members of the restaurant community.

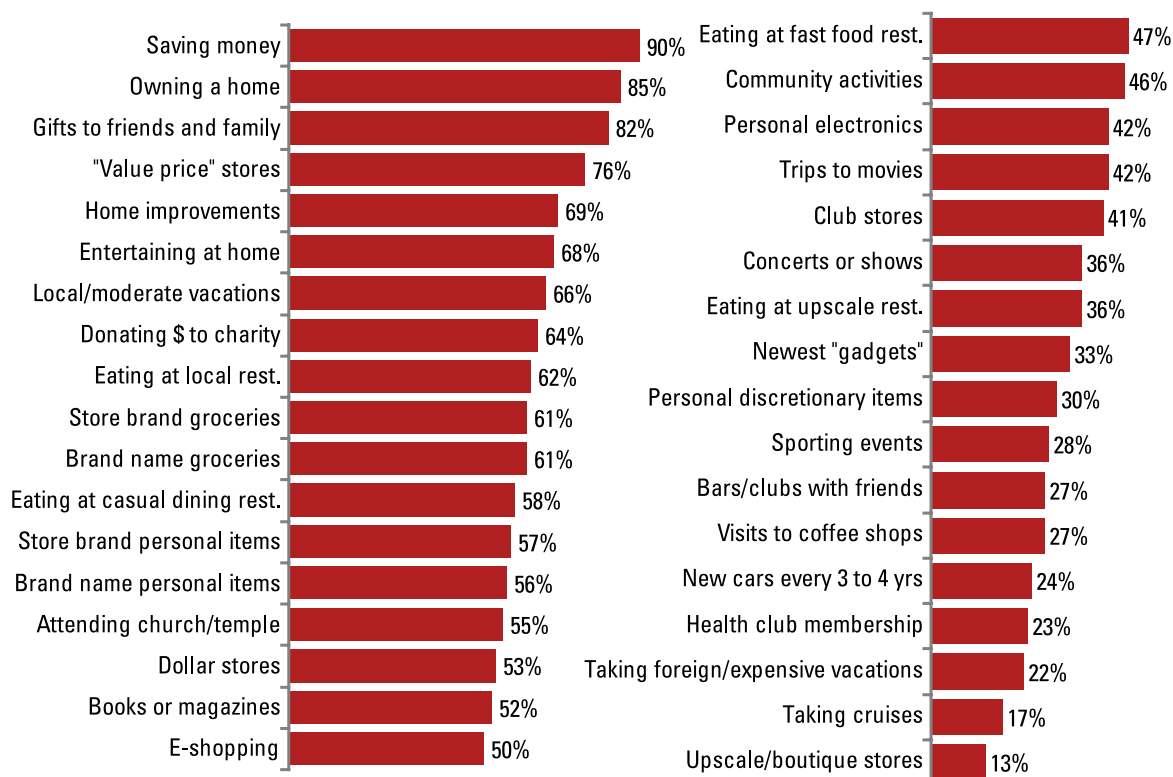
**Expected Food Sourcing in 2009**



Source: Technomic Survey, January 2009

Consumers consider dining at restaurants an important “Quality of Life” factor. They also realize a balance must be struck with tightening discretionary income levels. In many cases, the reconciliation of these two factors creates an element of “perceived pressure” to choose the right restaurant. Smaller disposable income levels often means fewer restaurant visits. When the opportunity to enjoy a meal purchased away from home does occur, consumers want to be very sure there are no surprises. If, for whatever reason, the overall meal experience does not match the dining party’s expectations, there may not be an immediate opportunity for a “do-over.”

## Factors Identified as Important to Quality of Life\*



Source: Technomic Survey, January 2009

\*Top 3 boxes on a 5-point scale: "extremely important", "very important" or "important".

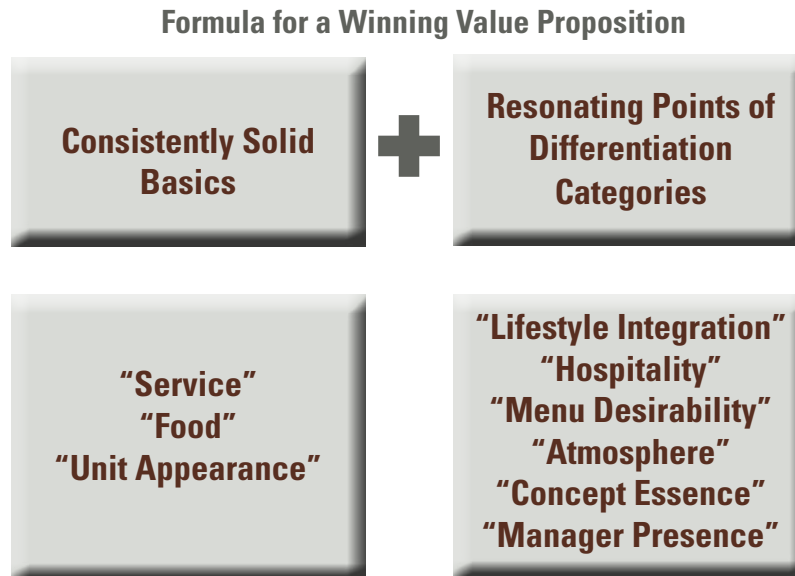
Influenced by this mindset, consumers will tend to select restaurants based on which have earned their coveted “Top of Mind” positioning. The question then becomes: “How do concepts achieve this perceptual status?”

## 2 The Winning Restaurant Formula

A certain number of restaurant visits will always be driven by a desire to find venues offering the absolute lowest price point. However, many consumers are also looking for restaurants offering additional dining elements that combine with price to create a strong, memorable concept Value Proposition. These individuals, many of whom are juggling both personal and professional responsibilities, seek meal solutions that fit seamlessly into their lives and satisfy specific foodservice-related needstates. Long term, consumers’ dining occasion “wants and desires” suggest “Winning Restaurants,” regardless of price point, will uniquely combine effectively executed concept/customer interaction points with an acceptable price.

The Winning Restaurant Formula is based on extensive Technomic studies that examined why certain concepts resonate with consumers while others remain perceptually undifferentiated. Findings revealed that concepts providing only “acceptable” levels of food and service don’t stand out within their competitive set. This “sameness epidemic” translated into slipping comparable store sales and diminishing traffic

counts beyond what the current economic malaise can realistically have been expected to produce. At the same time, other restaurants in the marketplace have capitalized on current conditions, creating stronger customer bonds and setting the foundation for future success. These winning concepts have developed a two-part equation that creates a unique, consistent Value Proposition. It is a formula that blends “Consistently Solid Basics” and “Resonating Points of Differentiation.”



Source: Technomic, Inc.

## *Consistently Solid Basics (CSBs)*

Consumers simply expect certain basic dining elements with each visit. Concepts that do not perform these expected fundamentals consistently will find that they have been dropped from many customer consideration sets as a future dining option.

### CSB #1 - Service

- There are certain service elements that consumers take for granted will occur correctly every visit. The successful execution of these service touchpoints relies on a combination of individual and team efforts by staff members.
- Fundamental service touchpoints include:
  - Timely greeting and seating.
  - Prompt acknowledgment by server.
  - Server possesses good product and concept knowledge.
  - All meal components occur at the right time, spaced appropriately in relation to each other.
  - Proper staff attention during the meal, so that no basic meal component is lagging.
  - Check and payment are handled in a prompt manner.

### CSB #2 - Food

- This is the single most important aspect of a customer’s visit. Numerous Technomic qualitative and quantitative studies have shown that food attributes have a large influence on customers’ satisfaction.

- The consumer presumes that the concept will consistently meet expectations around the following menu-related touchpoints:
  - Expected taste and flavor profile.
  - No “food quality” surprises.
  - Hot food hot and cold food cold.

### CSB #3 - Unit Appearance

- Impacts guest perception:
  - Consumers often consider the neatness, cleanliness, and look of a restaurant to be an indicator of the amount of pride and care that also goes into the food preparation.
  - Clean dining and bathroom areas are essential.

### *Resonating Points of Differentiation*

Resonating Points of Differentiation establish unique contrasts about specific restaurants in consumers' minds. These are areas, often intangible, where concept and customer interact. They are either physically or perceptually/emotionally experienced by the customer during a dining occasion. Eighteen attributes have been captured in the six major “Resonating Points of Differentiation” categories that follow. No concept will typically create competitive dominance around every attribute in all six categories. Technomic studies have found that most “Winning Restaurants” demonstrate unique positioning around three to eight attributes across all categories.

### *Major Category 1: Lifestyle Integration*

*How well does the restaurant seamlessly blend into the lifestyle of its targeted customers? Consumers demand a satisfying restaurant experience that's also a good fit with their specific time, resources, and dining occasion needs.*

- Occasion Sensitivity
  - Customers have different reasons for visiting restaurants. How many different types of dining occasions can the concept successfully accommodate? What level of customization can be incorporated? Can this concept simultaneously serve a number of dining parties with different dining occasion expectations? The ability to genuinely “see things from the customers' perspective” is critical here.
- Pricing Perceptions
  - Does the restaurant offer price ranges and meal solutions that meet a variety of meal occasion demands?
  - Does the concept have the ability to modify or develop specific offers depending on current economic periods and consumer mindset without damaging long-term brand viability and the foundational elements of the brand?

- Consolidation
  - The hectic lifestyles of consumers have left many looking to make one stop and accomplish multiple objectives.
- Portability/Takeout
  - Some (or many) menu items are well suited for To-go service. These items may fall in one of two categories:
    - Travel well (maintain taste and appearance attributes) until they are consumed later at some location other than the restaurant.
    - Ability to be eaten immediately in the vehicle (sometimes while the customer is driving and in other cases while the automobile is parked).
  - The concept offers services or physical unit amenities that promote a hassle-free takeout experience:
    - Dedicated To-go counter.
    - Separate entrance and waiting area.
    - Exclusive parking for Takeout customers.
    - Curbside service and payment processing.
- Respect for Time
  - The time necessary for the entire dining experience is consistent with or exceeds the consumers' available allotment. Resonating differentiation can be created when a concept provides superior performance in this area relative to direct competitors, or when time requirements are comparable to a restaurant segment/format that typically is faster but has a lower perceived food sophistication level.
- Concept Approachability
  - Regardless of price point, as customers approach the unit, and once inside, they have no doubt that this was the appropriate place to go for this particular meal occasion.
  - The customer is very much at ease during the entire dining experience.

## *Technomic On-Site Case Study Example: Papa Murphy's*

Papa Murphy's is a Take and Bake Pizza concept offering differentiated Portability/Takeout capabilities. While almost any pizza concept can claim Takeout potential, Papa Murphy's adds a critical element that demonstrates its ability to clearly see things from the perspective of its customer base. In some cases, consumers want the option of a fresh, premium pizza, but they either don't want to eat it immediately, or the drive time between pick-up and consumption will mean a lukewarm pizza. Papa Murphy's fresh pizza is ready to put in the oven, but has not yet been cooked. To insure consistently high quality results, the concept has trained its employees to explain the cooking process to customers in the unit. Each pizza also comes with an explanation sheet that customers can refer to once they reach home (or the final cooking destination). It's just another way that the concept sees things from the customers' perspective, demonstrating "Occasion Sensitivity."

## *Major Category 2: Hospitality*

*Does the staff genuinely seem happy to see customers? Do customers truly feel that this is the place where they should be spending their discretionary dollars for an “Away From Home” meal occasion?*

- Inclusivity
  - Customers feel like the service staff (and ultimately the restaurant) are genuinely glad to see them.
  - Customers are accepted at face value.
  - Customers are at ease interacting with the staff.
  - The relationships that customers develop with multiple employees at the restaurant create loyalty and an increased sense of what an experience/dining occasion is really worth.
  - Empathy – Employees see things from the customers’ perspective and incorporate this into the dining experience. No two table communications are exactly the same.

## *Technomic On-Site Case Study Example: Cracker Barrel*

Cracker Barrel makes it a point to begin the “hospitality feeling” the moment customers arrive. Guests enter Cracker Barrel through doors located in the retail section of the establishment. Employees stationed in this area typically greet each customer in a warm, personalized manner. This reinforces the concept’s “country” positioning as a place where all individuals are welcome. It also sets the stage for the relaxed meal to follow. One other unique Hospitality element that customers also typically experience at the end of their meal could best be described as the “Helping Hand” technique. As customers browse the wide selection of comfort foods and nostalgic retail items available in the front of the store, it isn’t uncommon for them to quickly accumulate several things in their arms. It’s at this point a smiling Cracker Barrel employee, often a manager, will approach them and offer to take the items up front. This not only allows guests to continue their shopping in a more comfortable manner, but reinforces the perception that the concept is glad the customer is here, and wants to do what is necessary to make every aspect of the visit enjoyable. Discussions with managers reveal that this “Helping Hand” aspect is part of their training. It’s a great way to leave a positive final restaurant visit impression with the customer.

## *Major Category 3: Menu Desirability*

*What combination of characteristics make the food and beverage offerings at this concept “pop” compared to consumers’ other meal solution options?*

- Craveability
  - Unique menu items can be linked to one specific concept. This establishes a vital point of distinctiveness from the consumers’ perspective.
- Quality of Life
  - Supports individual definitions, which can vary from person to person.
  - Historically, this category might have been referred to as “Healthy.” Today, it takes on a much larger definition, encompassing the role that food and beverage plays in each individual’s pursuit to look, feel, and accomplish to their desired level.

- Often incorporates elements such as “Fresh/Seasonal” and “Better for You” (functional, natural, sustainable, local, and organic).
- Artisan Influence
  - Menu items reflect the influence of their origin (recipe, ingredients, and preparation techniques).
  - This, in turn, often illustrates a knowledge and skill set that the concept and its chefs possess that most consumers and other competitive concepts do not have.
  - Customers will often give a concept credit for this knowledge and skill set through a combination of patronage and the price they are willing to pay (positive impact on menu price elasticity).
- Visual Appeal
  - The food visually leaves the plate and captures the attention of the customer.
  - Unique use of contrasting ingredient colors and height.
- Portion Size Appeal
  - Concepts can differentiate through a singular or multi-dimensional approach:
    - Strategy 1: Offer generous portions that consumers expect to take home for future meals.
    - Strategy 2: Utilize portions (often smaller) appropriate for a single meal at an appropriate price (often lower).
    - Strategy 3: A combination of Strategy 1 and Strategy 2.
- Menu Diversity
  - A varied menu format is not necessary to achieve this point of differentiation. “Menu Diversity” can also be achieved by concepts possessing a combination of menu ingredients and preparation options receptive to customization.
  - Ultimately, this is a restaurant’s ability to offer distinct, individualized flavor and taste profiles for multiple consumers within one general cuisine or concept positioning style.

### *Technomic On-Site Case Study Example: Chipotle*

Chipotle has done a masterful job creating a set of products that resonate across multiple Menu Desirability attributes. The consumers’ ability to customize their selections creates an excellent platform for them to develop dishes that are “just the way they’d like them to taste.” Think of it as “Self-Defined Craveability.” This same customization element also creates an almost unlimited number of menu possibilities, which illustrates that a concept does not necessarily have to maintain a large number of menu items in order to develop a Resonating Point of Differentiation around the “Menu Diversity” attribute. The focus Chipotle has placed on its sustainable, healthy ingredient sourcing creates a well-deserved aura around the “Quality of Life” and “Artisan Influence” attributes. Finally, the size of the burritos themselves generates support for the “Visual Appeal” and “Portion Size” competitive differentiators.

## *Major Category 4: Atmosphere*

*Does a visit to the restaurant just make the customer feel better?*

- Combination of elements creates an “energizing” environment within the concept. These elements are both internal and external to the organization. They include:
  - Staff interaction with each other and the customer.
  - Décor.
  - Music.
  - Customer interaction with each other, and the impact this has on everyone else nearby.
- In many cases this effect is almost perpetual in nature:
  - As the internal elements (staff, décor, and music) create enthusiasm, guests feel this energy. The positive guest response is felt by the staff, which often increases their response.
- Consumers often feel “recharged” and “emotionally uplifted” after leaving the restaurant.

## *Technomic On-Site Case Study Example: Buffalo Wild Wings*

Interested in a typical visit to a Buffalo Wild Wings? The concept is divided into a main dining area and an expansive bar section with multiple tables available for eating and drinking. Regardless of where customers are sitting, there is going to be an unobstructed view of multiple television broadcasts (typically sporting events). These media events provide an excellent forum for individuals, both within a single dining party and between groups of strangers eating separately to comment (sometimes boldly and with authority) on the progression of events. The hip, contemporary serving style of the wait staff reinforces and promotes this social behavior. It is not uncommon for the servers to sneak frequent glances at the “action in progress.” After all, what if the customer asks a relevant question about something they missed while their head was down enjoying the very social signature menu items (wings)? Someone has to know the answer to the question. The result is an energy level that feeds on itself. Customers often leave feeling like they have reconnected not only with members of their own dining party, but complete strangers (not anymore) as well.

## *Major Category 5: Concept Essence*

*Does the concept successfully communicate its core values, practices, and the foundational principles and elements of their unique operating business model?*

- Visible Core Values
  - The concept understands what they truly stand for, and how this translates to their company, customers, community, vendors, and shareholders.
  - Values are felt at all levels of the company and externally.
- Communicating a Message That Matters
  - Communicating consumer benefits (perceived as personally meaningful to the customer) in a sincere manner, then delivering on those promises.

- Community Focus
  - The concept influences its customers, and in return its customers influence the concept.
  - By becoming a part of the community through various activities and charitable actions, the concept stays very close, and often emotionally attached, to its customer base.
  - Individuals in the community think positively about the concept, often feel good about family members who work there (including themselves), and provide positive “buzz” or word of mouth (which is always the most influential form of advertising).

## *Technomic On-Site Case Study Example: In-N-Out Burger*

In-N-Out has a world-wide reputation for its menu offerings, but one area that may be less recognized is its masterful ability to communicate “Concept Essence.” Wear an In-N-Out shirt in any public establishment, and you are sure to be stopped by a stranger on the street curious to know where you live and which unit you frequent. Most of the concept’s followers have stories describing how their interactions with In-N-Out have provided a bright spot in their daily routine. These customers appreciate the ageless emphasis the concept puts on hiring individuals whose “default position” is to exemplify the core absolutes of the concept and treat the customer with a high level of hospitality and respect. From an employment perspective, it’s not unusual for the concept to have employees at a specific location that have been employed for years. Both of these examples speak volumes about the influence the concept has had on its customers and employees. At the same time, the “secret menu,” which contains several ways that the limited menu of burgers, fries, and beverages can be customized in a manner not described on the “official” in-store menu, illustrates how the concept has been influenced by its customers. This “secret menu” is a reflection of the cumulative culinary wishes of a customer base seeking to take an excellent product and concept and make it even more appealing.

## *Major Category 6: Manager Presence*

*Is it felt by both customers and employees? Customers want to feel like the restaurant (and its leadership face – the manager) genuinely appreciates their business. At the same time, this presence also provides employee support.*

- Manager Presence - Most concepts will tell you it happens, but actual occurrences are far less frequent than corporate perceptions.
- From the customers’ perspective:
  - Helps guide, enhance, and ensure an appropriate customer dining experience.
  - Reinforces their internal perceived importance.
  - Keeps the manager in touch with what’s really important to them.
  - Much greater opportunity to disarm potentially major problems while they are still at a minor incident status.
- Impact on the employee:
  - Provides a valuable resource that enables employees to complete their tasks to the highest expected standards (customers notice and reward this).

## *Technomic On-Site Case Study Example: Texas Roadhouse*

Differentiated restaurant concepts understand that truly satisfied customers are led on an “adventure” during their dining occasions. As with all great books, the adventure builds on itself from the Introduction and continues till the Conclusion. This same philosophy is consistently illustrated by the Texas Roadhouse management team, and supported by all other employees in the restaurant as well. As guests are being led to their table, the host or hostess engages them in conversation. One of the questions sure to be asked is if this is the customers’ first dining experience at a Texas Roadhouse. If the customer answers “yes,” that table will be greeted within minutes by a manager not only thanking them for choosing Texas Roadhouse, but also bearing some small sample of food that is explained as “a little something to give you a feel for the type of menu items we serve here.” As if that wasn’t enough to exemplify a management staff that shows its gratitude to its customer base, consider the almost continuous frequency with which managers are visible on the floor, interacting in a meaningful manner with both guests and employees. While many concepts talk about this critical attribute, Texas Roadhouse consistently executes. The best summation of this restaurant’s execution of this Resonating Point of Differentiation comes from a comment provided by a Texas Roadhouse manager: “We do table visits... not table touches.”

### **3 Conclusion**

The current economy has served as a serious wake-up call to many consumers. More prudent spending will be the norm. Expect that, to some degree, the consumer “consideration mindset” behavior being witnessed today will endure, with longer-ranging implications extending beyond the official end to the current recession. Nobel Prize-winning economist Paul Krugman paints the following picture for the economic outlook:

*“The prosperity of a few years ago, such as it was – profits were terrific, wages not so much – depended on a huge bubble in housing, which replaced an earlier huge bubble in stocks. And since the housing bubble isn’t coming back, the spending that sustained the economy in the pre-crisis years isn’t coming back either.”*

Restaurants focusing on incorporating both “Consistently Solid Basics” and “Resonating Points of Differentiation” will be rewarded with unique concept positioning, competitive differentiation, stronger customer loyalty, and a greater consumer willingness to spend their hard-earned discretionary dollars at that particular establishment.

### **4 About Technomic and Additional Information Regarding This Report**

Technomic, Inc. is the nation’s premier foodservice research and consulting firm. Technomic began tracking the U.S. restaurant industry more than four decades ago.

Specific to this topic, Technomic has analyzed, interacted with, and performed consulting responsibilities for a large number of restaurant operators and suppliers regarding The Winning Restaurant Formula. The information provided in this report is based on a number of proprietary Technomic studies and on-site Experience Audits. If you would like to have your concept, or your competitors’ concepts evaluated, please contact Kevin Higar at 312-506-3708.

## LEARN MORE

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